NUEXCO

EXECUTIVE SUMMARY
REPORT 207
(All data as of October 31, 1985)

Exchange Value
$16.50, up $0.50

The **Exchange Value** is **$16.50** per pound U_3O_8, up $0.50 since last month.

UF_6 Value
$46.00, up $1.50

The **UF_6 Value** is **$46.00** per kilogram U as UF_6, up $1.50 since last month.

Transactions

Five recent natural uranium sales are reported, involving approximately 1.4 million pounds U_3O_8 equivalent. All of the sales involved spot or near-term delivery and three met the conditions for inclusion in the Transaction Value.

Supply-Demand Ratio rose to 3.6:1

Active spot and near-term **uranium supply** amounts to **3.2 million** pounds U_3O_8 equivalent, up 1.1 million pounds since last month. Active spot and near-term **uranium demand** totals **895 thousand** pounds, down 205 thousand pounds. The spot and near-term **supply-demand ratio** rose to **3.6:1.**

Transaction Value
$15.75, up $0.65

The **Transaction Value** is **$15.75** per pound U_3O_8, up $0.65 since last month. The calculation includes 13 transactions involving a total of 2.2 million pounds U_3O_8 and equivalent UF_6, and covers a period of 4 months.

Loan Use Charge Rate unchanged at 5%

The **Loan Use Charge Rate** is **5 percent** per annum, unchanged.

Conversion Value unchanged at $1.60

The **Conversion Value** is **$1.60** per pound U as UF_6, unchanged since last month in a dormant market. No active secondary market supply or demand for conversion services for delivery within three years is reported.

SWU Values:
$83 for DOE-origin for delivery by the end of FY86
$83 for non-DOE origin for delivery by the end of calendar year 1986

The **SWU Value** for DOE origin at .3 tails and certifiable as excess, is **$83** per SWU for delivery by the end of FY86. The SWU Value for other SWUs (non-DOE or non-certifiable) is **$83** per SWU for delivery by the end of calendar year 1986. No secondary market SWU transactions are reported.

Analysis & Commentary

The denial by Public Utility Commissions of utilities' full-cost recovery for nuclear power plant construction is surpassing regulation as the biggest front-end fuel-cycle problem for US utilities. Virtually all new units nearing completion or entering service will face prudency hearings, and must bear the burden of proof that design, construction, and fuel costs were prudently incurred.

Update

From its inception, DOE's Utility Services enrichment contract has had a major impact both on the uranium and the enrichment market worldwide. As a consequence of the recent invalidation ruling in a US District Court, the status of the contract is in doubt. This chronology traces the evolution of the USEC and the significant market developments associated with it.

Australia

The Olympic Dam partners have appointed Kanematsu Gosho, a Japanese trading company, as sole agents for marketing Roxby Downs uranium in Japan.

Federal Republic of Germany

Two of West Germany's utilities have merged to form the nation's second largest electric utility. PREAG and NWK have consolidated into Preussenelektra, which owns shares in seven nuclear power units.

Japan

The US DOE approached the Japanese government's Ministry of Trade and Industry (MITI) to solicit financial cooperation in developing commercial laser enrichment. MITI will evaluate the possible commercial benefits in light of its own plans to develop domestic laser enrichment programs.

South Africa

The Chamber of Mines has released third quarter 1985 uranium production figures; production increased 12 percent over the previous quarter.

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NUEXCO REPORT 207 FIGURES OF THE MONTH (October 31, 1985)	This Month (Report 207)	Last Month (Report 206)	12 Months Ago (Report 195)
Exchange Value[1]	16.50	16.00	16.00
Transaction Value[1]	15.75	15.10	16.05
UF_6 Value[2]	46.00	44.50	—
Loan Use Charge Rate[3]	5%	5%	6%
Conversion Value[4]	1.60	1.60	1.00
Near-Term Uranium Supply[5]	3.2	2.1	5.5
Near-Term Uranium Demand[6]	0.9	1.1	1.3
Near-Term Supply-Demand Ratio	3.6	1.9	4.3
Recent Uranium Sales:			
Number of Transactions[7]	5	4	11
Quantity of Material[8]	1.4	0.3	1.6
Nuexco SWU Values:[9]			
DOE origin, certifiable as excess, 0.3 tails assay, delivery before the end of FY86	83	85	—
Other SWUs (non-DOE or non-certifiable), delivery by the end of calendar year 1986	83	78	—
USDOE SWU Prices:			
USEC	125.00[10]	125.00[10]	135.00
AFC	153.00[11]	153.00[11]	153.00[11]
Requirements	157.00[11]	157.00[11]	157.00[11]
Market Value of Enriched UF_6[12,13]:			
2.5 w/o U^{235}	460	459	528
3.0 w/o U^{235}	591	589	683
3.5 w/o U^{235}	723	722	842
4.0 w/o U^{235}	858	857	1,003

[1]US $ per pound U_3O_8 equivalent.
[2]US $ per kilogram U as UF_6.
[3]Per annum.
[4]US $ per pound U as UF_6.
[5]Active inquiries to sell, for delivery within 12 months after contract signing (millions of pounds U_3O_8).
[6]Active inquiries to purchase, for delivery within 12 months after contract signing (millions of pounds U_3O_8).
[7]Uranium sales only; does not include loans, conversion, or SWU transactions.
[8]Millions of pounds U_3O_8, equivalent.
[9]US $ per SWU.
[10]Effective 10/1/85.
[11]Effective 10/1/84.
[12]Calculated using the Nuexco Exchange Value, Conversion Value, and 0.30 percent tails assay. From 3/30/84 through 4/29/85, calculations used the Nuexco SWU Value for DOE origin and FY85 delivery. As of 4/30/85, calculations use the Nuexco SWU Value for DOE origin and delivery by the end of FY86.
[13]US $ per KgU as UF_6, rounded to the nearest $.

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AMPLIFICATION

An item on page 1 of the *Pricing* section of this Report requires clarification. The item states, "The weakening of the US dollar against other currencies continued, causing the effective price of dollar-denominated uranium to rise in those currencies." In actuality, the weakening dollar has tended to *reduce* the price of uranium in non-US currencies, but the November rise in the Exchange Value (in US dollars) was large enough to increase the effective price of uranium in non-US currencies.

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